

"What are my retirement benefits if I am no longer employed by the State or County?"

June 2006

CONTRIBUTORY PLAN

EMPLOYEES' RETIREMENT SYSTEM
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This handout offers general information on pre-retirement issues. It is only a summary and does not constitute a legal document and is subject to change. Nothing contained herein shall be construed to amend, modify, override, or nullify a state statute, rule, policy, procedure or document used in the retirement process. You may obtain more detailed information by contacting the nearest ERS office. (Other ERS locations and phone numbers listed on the last page.)

FREQUENTLY ASKED QUESTIONS BY THOSE LEAVING STATE AND COUNTY EMPLOYMENT

CONTRIBUTORY PLAN

1. How do I know whether I am in the Contributory, Hybrid or Noncontributory Plan?

Contributory Plan members are required by law to have retirement contributions deducted from their monthly gross salary. This deduction is either 7.8% or 12.2% of the monthly gross salary depending on the member's occupation. If you are a Contributory member, your pay stub will show a retirement deduction.

Most employees hired from July 1, 2006 are Hybrid Plan members. Hybrid Plan members also include employees hired before July 1, 2006, who made the choice to transfer to the Hybrid Plan from the Noncontributory or the Contributory Plan. Hybrid members are required by law to have retirement contributions deducted from their monthly gross salary. If you are a Hybrid member, your pay stub will show a retirement deduction of either 6.0% or 9.75% of your monthly gross salary depending on your occupation.

Noncontributory Plan members are most employees hired from July 1, 1984, as well as employees hired before that date who elected to transfer from the Contributory Plan. If you are a Non-contributory member, no retirement contributions are deducted from your monthly gross salary.

2. What are the minimum requirements for retirement?

- If you have a combined total of 5 or more years of credited contributory and noncontributory service, you can retire at age 55 with full benefits.
- If you have a combined total of 25 or more years of credited contributory and noncontributory service, you can retire before age 55 with a reduced pension. There is a 5% reduction for each year below age 55 to age 50; 4% for each year from 45 to 49 years; 3% for each year from 40 to 44 years, and 2% for each year thereafter.
- We can accept your retirement application up to 150 days before but not less than 30 days of your retirement date.
- In addition, you must retire on the 1st day of a month (except for December, which can be either the 1st or 31st). Your "close of business" (COB) date must be before your retirement date.

3. Am I entitled to any retirement benefits when I leave my job?

If you have 5 or more years of credited service in the Employees' Retirement System (ERS):

- You are vested and eligible for a retirement benefit. Refer to Question #2 for the eligibility requirements. Please contact our office to request retirement estimates 12 months before you want to retire.
- If you do not retire and later return to a regular County or State (includes Judiciary, University of Hawaii, Department of Education, and Legislature) job, you may need to remain in the Contributory Plan or may be eligible to transfer to the Hybrid Plan. If you transfer to the Hybrid Plan, your contributions including interest will remain with ERS and your past service will be converted to Hybrid service.
- While no longer employed you can apply for a refund of your contributions and interest; however, you will lose your retirement credits. If you are rehired and enrolled in the Hybrid Plan, you will "earn back" at no cost 1 month of lost service for each credited month of re-employment (previous service will be credited under the Noncontributory plan).

If you have less than 5 years of credited service:

- You will retain your service credits if you return to another County or State (includes Judiciary, University of Hawaii, Department of Education, and Legislature) job within 4 calendar years after the year you leave employment. If you are rehired and enrolled in the Hybrid Plan, your contributory plan contributions including interest will be held in a separate ERS retirement account and your past service will be converted to noncontributory service.

If you are required to join the Contributory Plan, you will retain your contributory service credits and your contributory service credits and contributions will remain in the ERS.

Check with the personnel office whether the new job is covered by ERS.

- If you do not return within 4 calendar years after you leave or request a refund after your termination, you will forfeit all of your service credits. If you do not request a refund, your contributions will be held in an ERS retirement account for you. The ERS will process a refund as soon as possible, after you attain age 62.

If you are rehired you will be enrolled in the Hybrid plan and "earn back" at no cost 1 month of lost service for each credited month of reemployment ("earned back" service will be credited under the Noncontributory plan).

If you are required to join the Contributory Plan, you can "buy back" the refunded service.

- You can continue membership in the Contributory Plan if you immediately "transfer" (no break in service) to another State or County position covered by ERS membership. Be sure to inform your new personnel office of your decision to remain in the Contributory Plan.

4. What is credited service?

Credited service is service as an employee paid by the State or County for which retirement credit is given. It includes regular membership service and authorized leaves such as industrial injury, sabbatical, educational, professional improvement, and maternity. Previous service and active military duty may also be included, but you must file a claim with the ERS before you leave State or County employment.

Maternity leave without pay periods prior to July 1, 1973 can be purchased for additional service credits.

5. How will my monthly pension be computed?

$2\% \times \text{Years of Service} \times \text{Average Monthly Salary}$

6. How will my monthly pension be computed if I have mixed service?

$2\% \times \text{Years of Contributory Service} \times \text{Average Monthly Salary}$
+
 $1 \frac{1}{4}\% \times \text{Years of Noncontributory Service} \times \text{Average Monthly Salary}$

Example for "Mixed Service":

Jim had 4 years of Contributory Plan and 8 years of Noncontributory Plan service. When he reaches his 55th birthday, he may retire with pension benefits as shown below:

Years of Service	X	Retirement Plan	X	Monthly Salary	Monthly Pension
4 years		2% (Contributory)		\$3,000	\$240
8 years		1 ¼% (Noncontributory)		\$3,000	300
MAXIMUM ALLOWANCE					\$540

7. What about my sick leave?

Unused sick leave will be used to increase your retirement benefit if you have at least 60 days and leave government service in good standing. Every 20 days is equal to one month of service credit. However, it cannot be used to meet the minimum retirement and retiree medical benefit requirements. Your personnel office will determine your unused sick leave balance.

60 days / 20 days = 3 months of additional service credit

240 days / 20 days = 12 months (1 year)

70 days / 20 days = 3.5 months is rounded to 4 months

Example: Wes has 4 years and 9 months of credited service and 3 months of unused sick leave. The 3 months of unused sick leave cannot be used to meet the 5-year minimum service requirement.

If Wes had 5 years of credited service, the 3 months of unused sick leave would increase his monthly retirement benefit.

Sick leave conversion for firefighters who work 24-hour shifts would be calculated as follows:

$$\frac{\text{Number of hours of sick leave}}{24 \text{ hours}} = \text{Number of shifts}$$

$$\text{Number of shifts} \times 2.1 \text{ days} = \text{Days of unused sick leave}$$

Example:

$$\frac{2,000 \text{ hours}}{24 \text{ hours}} = 83.333333 \times 2.1 \text{ days} = 175 \text{ days}$$

8. What about my lump sum vacation payment?

Your lump sum vacation payment is determined by your Personnel/Payroll Office. It will not increase your ERS membership service credits. If you were hired prior to January 1, 1971, the lump sum vacation payment will be added to your highest 5 years of earnings to calculate your average final compensation (AFC) for retirement purposes.

9. What taxes do I have to pay if I take a refund?

- Federal income taxes are due on the taxable portion of your refund payment. If you are below age 59½, an additional 10% tax on the taxable portion of your refund must be paid to the Internal Revenue Service. However, you can defer these taxes by rolling over the taxable portion into an IRA within 60 days.
- Your refund payment is not subject to State of Hawaii income tax.

10. Are death benefits payable after I leave my job?

No. Your designated beneficiary(ies) will receive only the total amount of your retirement contributions, including interest.

11. Is there a penalty if I come back to work after retirement?

Retirees who return to work in ERS membership positions (50% full-time equivalence for more than 3 months) will have their pensions suspended until their next retirement. They will earn additional retirement credits during the second employment term and the additional retirement benefit for this period will be "tacked on" the member's original monthly benefit.

Retirees who return to positions that do not require ERS membership (less than 50% full-time equivalence or employment terms not exceeding 3 months) can continue to retain their ERS pension and health fund benefits.

What about contract work?

Regarding contract work, you must check with the personnel office as some contract work does not require ERS membership.

Additional Questions? Call or write to us at the following ERS locations:

Hawaii

101 Aupuni Street, Room 208
Hilo, Hawaii 96720
Phone: 974-4077, 974-4076
FAX: 974-4078
Toll-free to Honolulu:
974-4000, extension 61735

Maui

State Office Building, Room 218
54 S. High Street
Wailuku, Hawaii 96793
Phone: 984-8181, 984-8282
FAX: 984-8183
Toll-free to Honolulu:
984-2400, extension 61735

Kauai

3060 Eiwa Street, Room 302
Lihue, Hawaii 96766
Phone: 274-3010
FAX: 241-3193
Toll-free to Honolulu:
274-3141, extension 61735

Molokai/Lanai

Toll-free to Honolulu
1-800-468-4644, extension 61735

From the U.S. mainland

Toll free 1-888-659-0708

You can also check our website at www4.hawaii.gov/ers for additional information.